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Why CAFTA Matters

By Froma Harrop

It really matters where the jobs that Americans lose go. That's what CAFTA is about. It's not about destroying textile jobs in the Carolinas. They're history, anyway -- if not this year, then in five years. CAFTA is about keeping work that would otherwise go to China in our hemisphere.

The Central American Free Trade Agreement would cut tariffs on commerce among the United States, Costa Rica, Nicaragua, El Salvador, Honduras and Guatemala. The Dominican Republic, which is in the Caribbean, also wants to join.

Though President Bush is battling hard for the accord, some observers declare it all but dead. The generally pro-trade New Democrat Coalition has just jumped ship. But new Democrats should think again and back CAFTA. So should old Democrats.

Organized labor doesn't want to hear this defeatist talk about managing losses. That's understandable. But while labor has been dealt a bad hand, it still must play the cards. That means choosing the least bad of bad options.

Some labor critics point to NAFTA as a reason to shoot down CAFTA. The 1993 North American Free Trade Agreement covered the United States, Canada and Mexico. Foes of these accords note, for example, that there were 127,000 textile and apparel jobs in South Carolina before NAFTA. Now there are 48,000.

The truth is the United States was bleeding these kinds of factory jobs decades before NAFTA. And it's unclear how large a part NAFTA has played in the years since.

Many of these jobs were not sucked down to Mexico but over to China and other Asian countries. And of the lost jobs that can be traced to Mexico, how many would have simply gone to China instead, had it not been for NAFTA? Even Mexico has seen factories move to China.

Labor-intensive industries in America continue to fight a hopeless war against competitors paying pennies-an-hour wages. The futility of it all can be seen in the following numbers, provided by A.T. Kearney, a consulting firm:

It costs \$135 to make 12 pairs of cotton trousers in the United States. It costs \$57 to make the trousers in China and ship them here. It costs \$69 to do so in other parts of the world.

In this business, the United States is clearly out of the running. But many low-wage countries are still contenders with China -- especially if they can ship their products here tariff-free.

Americans would be better off if their imports came from Managua, rather than Guangdong. After all, our Latin neighbors are more likely to buy the things we have to sell. That's why farmers producing beef, pork and corn are all for these treaties. So are U.S. companies that make machinery, especially for construction.

Then there are foreign-policy considerations. CAFTA partners would include very poor countries with fragile democracies. More trade with the United States could stabilize them -- and reduce the pressures on their people to come here illegally. And if the workers make more money, they'll be able to buy more American goods.

Some Democrats argue that these poor countries compete by exploiting their workers. Rep. Sander Levin, D-Mich., for example, opposes the accord because, he says, "the basic rights of working people in Central America are systematically repressed."

He has it backward. Economic desperation creates the conditions for oppression. Workers are strongest where jobs are plentiful. CAFTA could empower workers and lift them from grinding poverty.

Rather than protect jobs that will eventually leave America, labor and its Democratic allies should protect the people who lose them. Trade Adjustment Assistance is a federal program that offers financial help and training for Americans who lose jobs because of imports.

Democrats complain that the program is underfunded, and they are right. So why not make more money for Trade Adjustment Assistance a bargaining chip to win support for CAFTA?

There's no exit door out of this global economy. Parts of the American economy will do well in it; other parts will not. Free trade in the Americas is about joining with our neighbors in a common defense against China's growing power. Those are the true stakes, and fighting futile battles will only distract us from what matters.